

## Report of the Directors

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

### **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company and its subsidiaries are principally engaged in property development businesses and provision of travel related services during the year. Particular of the Company's subsidiaries as at 31 December 2003 are set out in note 36 to the financial statements.

### **RESULTS AND DIVIDEND**

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 17.

No interim dividends was paid for the year (2002: Nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2003 (2002: Nil).

### **FINANCIAL SUMMARY**

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 53.

### **PROPERTIES FOR SALE**

Details of the properties for sale of the Group at 31 December 2003 is set out on page 54.

### **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 12 to the financial statements.

### **SHARE CAPITAL**

Details of the share capital are set out in note 26 to the financial statements.

### **RESERVES**

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27 to the financial statements.

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### DIRECTORS

The directors of the Company during the year and up to the date of this report were:

#### Executive directors

Mr. Dai Zhikang	
Mr. Tang Jian	(appointed on 20 May 2003)
Mr. Huang Sudong	(appointed on 20 May 2003)
Mr. Zhao Hangsheng	(appointed on 20 May 2003)
Mr. Zhang Wei	(appointed on 20 May 2003)
Mr. Zhu Nansong	(appointed on 20 May 2003)
Mr. He Xuechu	(resigned on 22 April 2003)

#### Independent non-executive directors

Mr. Hui King Wai  
Mr. Lo Mun Lam, Raymond

In accordance with Bye-laws 86(2) of the Company, Mr. Tang Jian, Mr. Huang Sudong, Mr. Zhao Hangsheng, Mr. Zhang Wei and Mr. Zhu Nansong will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Pursuant to Bye-law 87(1) and 87(2) of the Company, Mr. Hui King Wai will retire at the forthcoming annual general meeting.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND OPTIONS

As at 31 December 2003, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of Director	Number of Ordinary Shares	Capacity and Nature of Interest	Approximate Percentage of Issued Share Capital
Mr. Dai Zhikang	2,519,080,000	Corporate Interest (Note)	58.16%

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*Note:* All of these interests represent long positions. Mr. Dai Zhikang is the beneficial owner of the entire issued share capital of Giant Glory Assets Limited, and is therefore deemed to be interested in the 2,519,080,000 shares held by Giant Glory Assets Limited pursuant to the SFO.

Save as disclosed above, none of the other directors or chief executives of the Company had or were deemed under the SFO to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2003.

During the year ended 31 December 2003, none of the directors or chief executives of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations.

### SHARE OPTIONS

Details of the share option scheme are set out in note 26 to the financial statements. At the date of this report, no share option has been granted under the share option scheme.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme set out in note 26 to the financial statements, at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding company or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### CONNECTED TRANSACTIONS

During the year, the Group entered into certain related party transactions which also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Details of these transactions are set out in note 33 to the financial statements.

### DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to paragraph 8.10 of the Listing Rules, the Company discloses that during the year and up to the date of this report, Mr. Dai Zhikang held directorships in Shanghai Zendai Investment Development Company Limited, and/or its subsidiaries (collectively referred to as the "Zendai Group"), which are also engaged in property development and related business.

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As the Board of Directors of the Group operates independently of the boards of Zendai Group, the Group operates its business independently of, and at arm's length from, the businesses of Zendai Group.

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, so far as are known to the directors, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name	Number of Shares	Approximate Percentage of Issued Share Capital
Giant Glory Assets Limited	2,519,080,000	58.16%
Mr. Dai Zhikang	2,519,080,000 (Note 1)	58.16%
Peak Smart Holdings Limited	500,000,000	11.55%
Mr. Yang Yonggen	500,000,000 (Note 2)	11.55%

Note 1: This represents the deemed interests of Mr. Dai as referred to in the note under the section headed "Directors' Interests or Short Positions in Shares and Options" above.

Note 2: Mr. Yang Yonggen is the beneficial owner of the entire issued share capital of Peak Smart Holdings Limited and therefore is deemed to be interested in the 500,000,000 shares held by Peak Smart Holdings Limited pursuant to the SFO.

All the interests stated above represent long positions. As at 31 December 2003, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were less than 30% of total turnover for the year.

During the year, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 38% and 78% respectively, of the Group's total purchases for the year.

None of the directors, their associates or any shareholders which to the knowledge of the directors, own more than 5% of the Company's share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

### CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

### POST BALANCE SHEET EVENT

Details of the significant event occurring after the balance sheet date are set out in note 35 to the financial statements.

### AUDITORS

During the year ended 31 December 2002, Deloitte Touche Tohmatsu resigned and KLL Associates CPA Limited were appointed as auditors of the Company.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint KLL Associates CPA Limited as auditors of the Company.

On behalf of the Board

**Dai Zhikang**

*Chairman*

13 April 2004